Our Economic Profile

BUDGET 1992

Alberta
GOVERNMENT OF ALBERTA

92-05769/

ECONOMIC AGENDA '92: Confidence and Jobs

The government's Economic Agenda '92 will implement a four-part economic action plan to strengthen the Alberta economy and create jobs for Albertans.

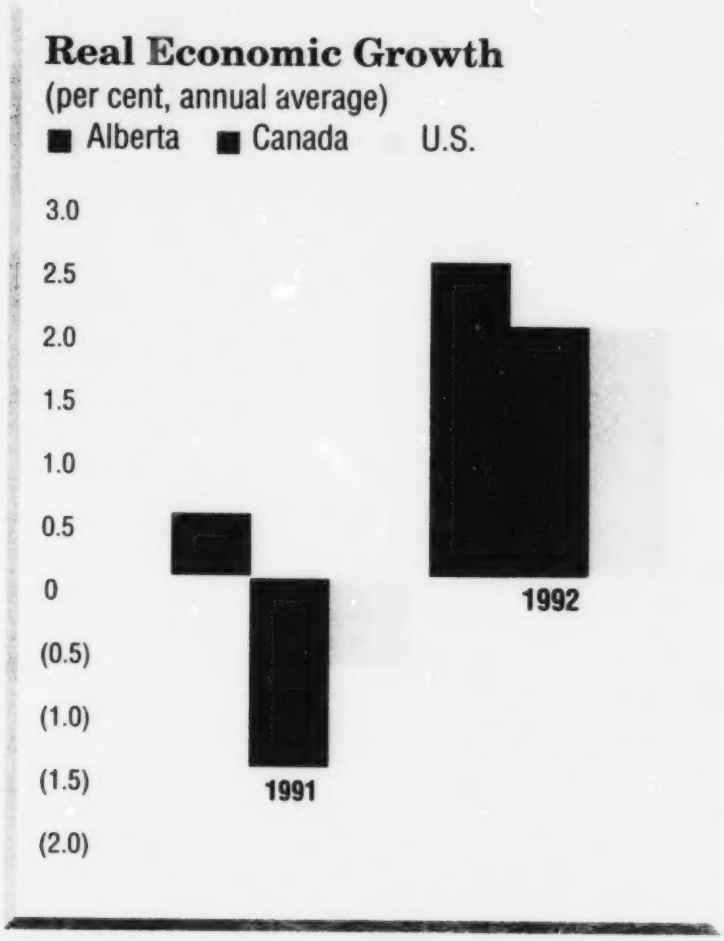
#1 **A Tax Cut for Albertans:** The personal income tax rate will be effectively reduced by one percentage point on July 1, 1992.

#2 **Improving Alberta's Competitiveness:** Tax changes will improve the competitiveness of our manufacturers.

#3 **Support for Small Businesses and Rural Alberta:** A total of $120 million will be provided over the next four years, in cooperation with the federal government, to encourage further diversification of the economy. Funding will be provided under the new Western Economic Partnership Agreements.

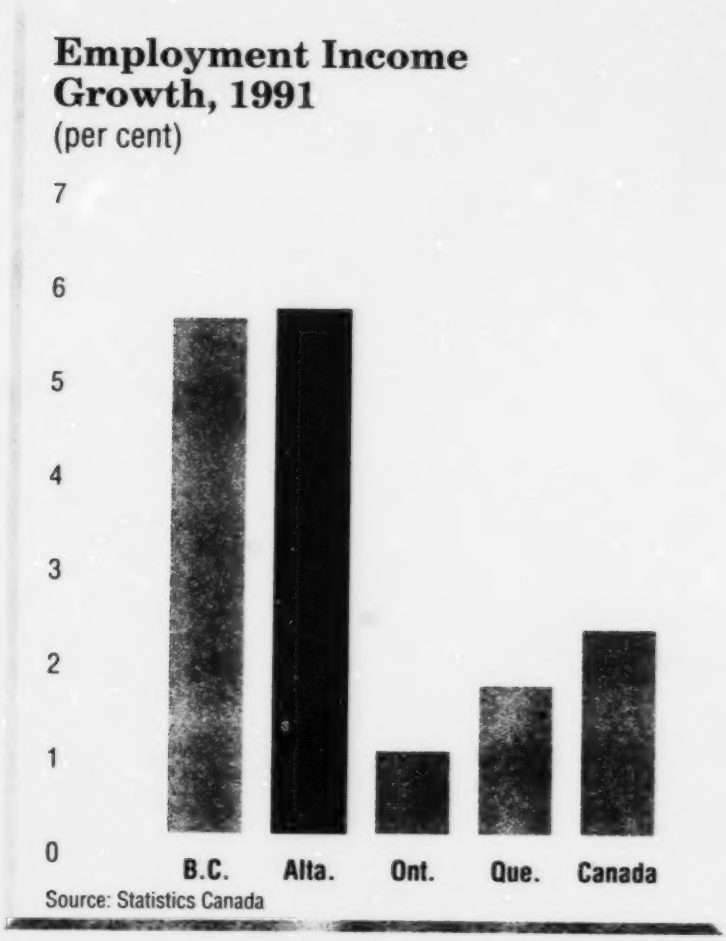
#4 **Capital Works Job Creation:** Capital works will be accelerated to stimulate the economy and create jobs. The special Alberta Local Employment Transfer will provide $200 million in one-time per capita grants to municipalities for local public works.

ALBERTA AVOIDS THE WORST OF THE NORTH AMERICAN RECESSION



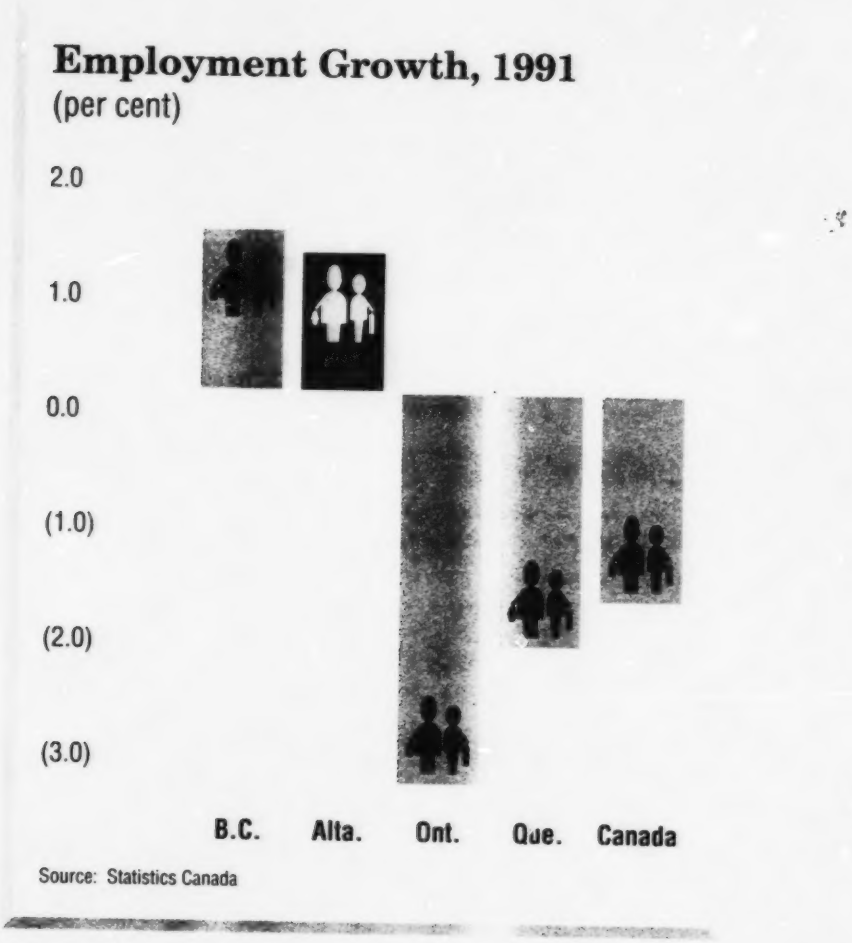
- Alberta avoided the worst effects of the North American recession. In 1991, real economic activity in Alberta increased by an estimated 0.5%. In comparison, Canada as a whole experienced a decline of 1.5%.
- Alberta's economy is expected to grow by 2.5% in 1992, compared to 2% for Canada and the United States.

ALBERTA LED COUNTRY IN INCOME GROWTH



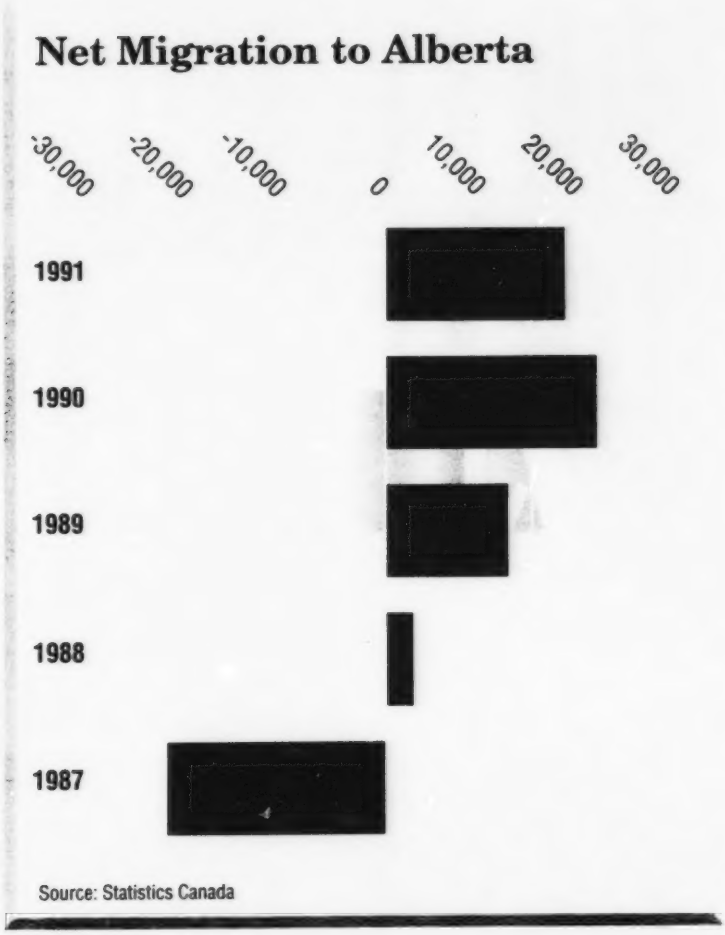
- Alberta led the country in employment income growth in 1991.
- Wages and salaries increased by 5.6% last year, more than double the Canadian average and six times that of Ontario.
- Continued employment growth was a key reason for the strong increase in income.

ALBERTA – ONE OF ONLY TWO PROVINCES TO HAVE EMPLOYMENT GROWTH



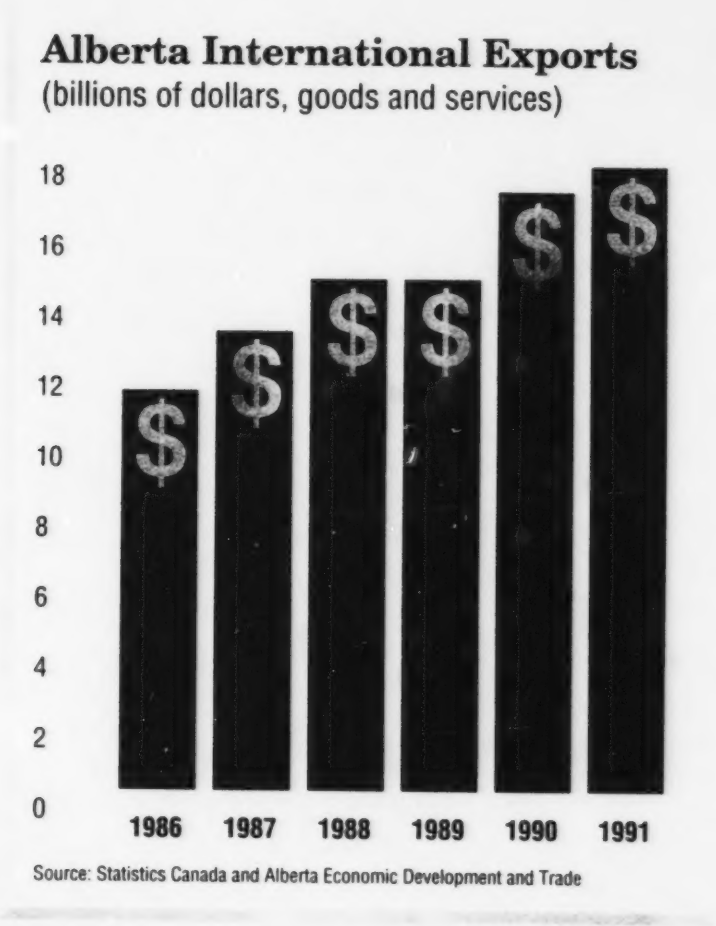
- The number of employed Albertans increased by 14,600, or 1.2% in 1991. Alberta was one of only two provinces where employment increased last year.
- A total of 122,000 jobs have been created since 1985.
- Another 15,000 jobs are expected to be created in 1992.
- Alberta continues to have more of its working age population employed than any other province.
- While employment grew at a reasonable pace, the labour force grew even faster. As a result, our unemployment rate averaged 8.2%, 1.2 percentage points higher than in 1990.

MORE PEOPLE CHOSE TO LIVE IN ALBERTA



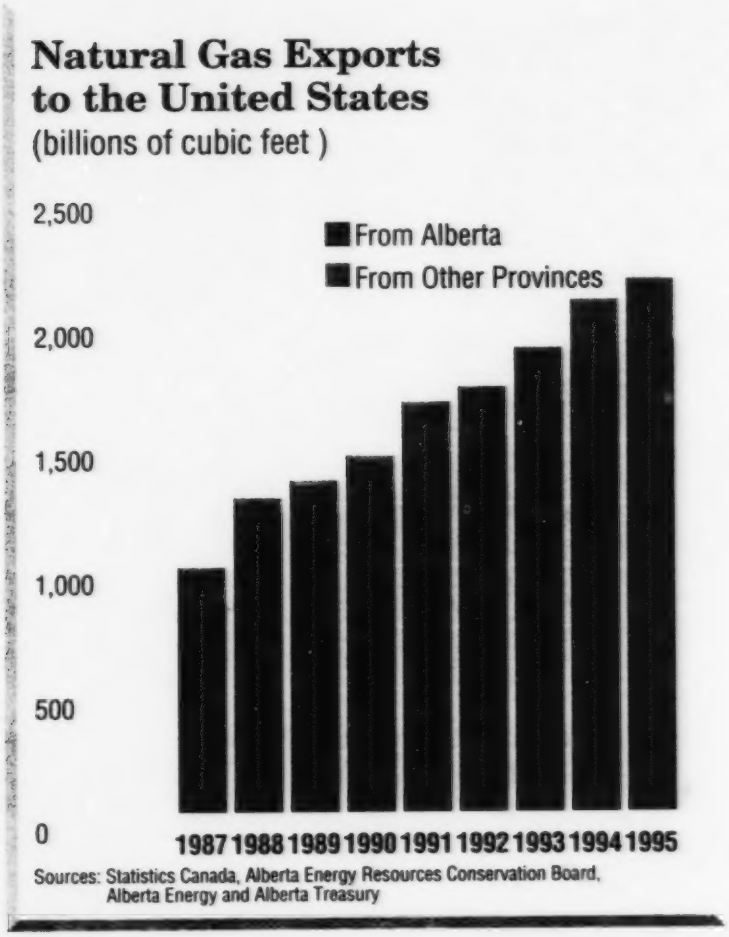
- Alberta's strong economy and favourable employment opportunities continue to attract large numbers of people to our province.
- Net in-migration was 18,520 persons in 1991.
- Alberta has now experienced four consecutive years of positive net migration.
- Alberta's population increased to 2,549,500 in 1991, up 2% from 1990.

INTERNATIONAL EXPORTS INCREASE



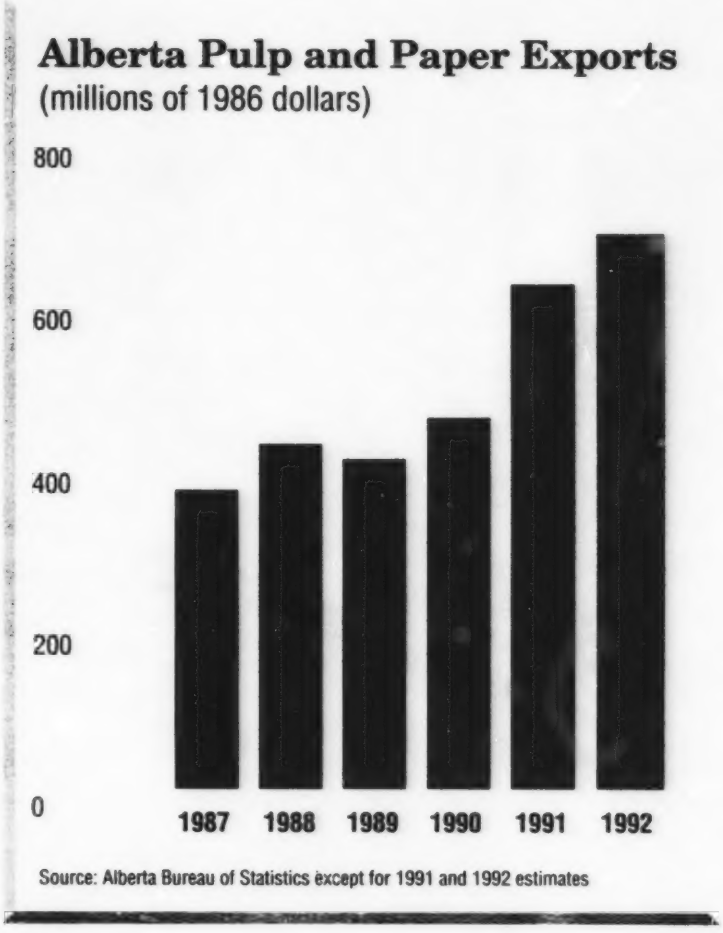
- Despite a world-wide economic slowdown, the value of Alberta's international exports grew by 3.6% in 1991.
- Over 70% of Alberta's total international exports went to the United States.
- Alberta companies increased their exports to European, Middle Eastern and Latin American countries in 1991.

NATURAL GAS EXPORTS INCREASE



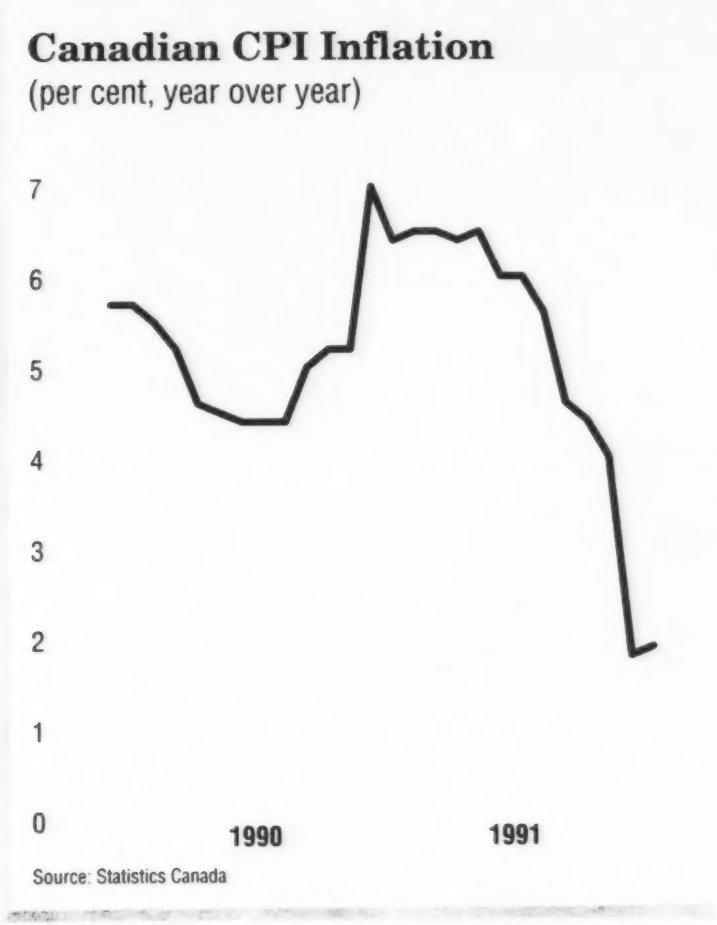
- Alberta natural gas sales have captured about 7% of the growing U.S. market.
- Total pipeline capacity to the United States is expanding rapidly.
- Alberta's natural gas volumes to the United States should increase to 1.5 trillion cubic feet in 1992.
- By 1995, natural gas exports are expected to increase to 1.9 trillion cubic feet. Alberta's share of the U.S. market will be about 10%.

FORESTRY DEVELOPMENT – A DIVERSIFICATION SUCCESS



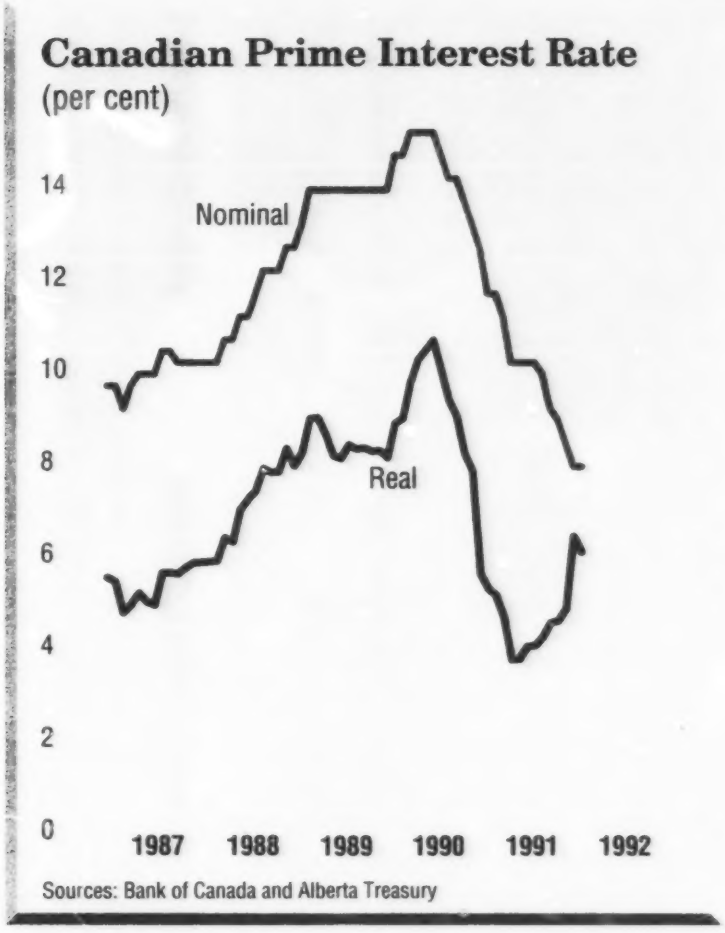
- Alberta has emerged as one of Canada's major forestry producers, with $1.9 billion of new investment since 1985.
- The industry has evolved from only two pulp mills in 1985 to six pulp mills and a newsprint facility.
- In addition, another major pulp mill, costing $1.3 billion, is currently under construction and will be completed by late 1993.
- The forestry projects incorporate advanced technology to reduce their environmental impact.
- Pulp and paper export volumes are expected to increase by 10% this year and by another 35% over the next two years.

INFLATION DROPS TO 2%



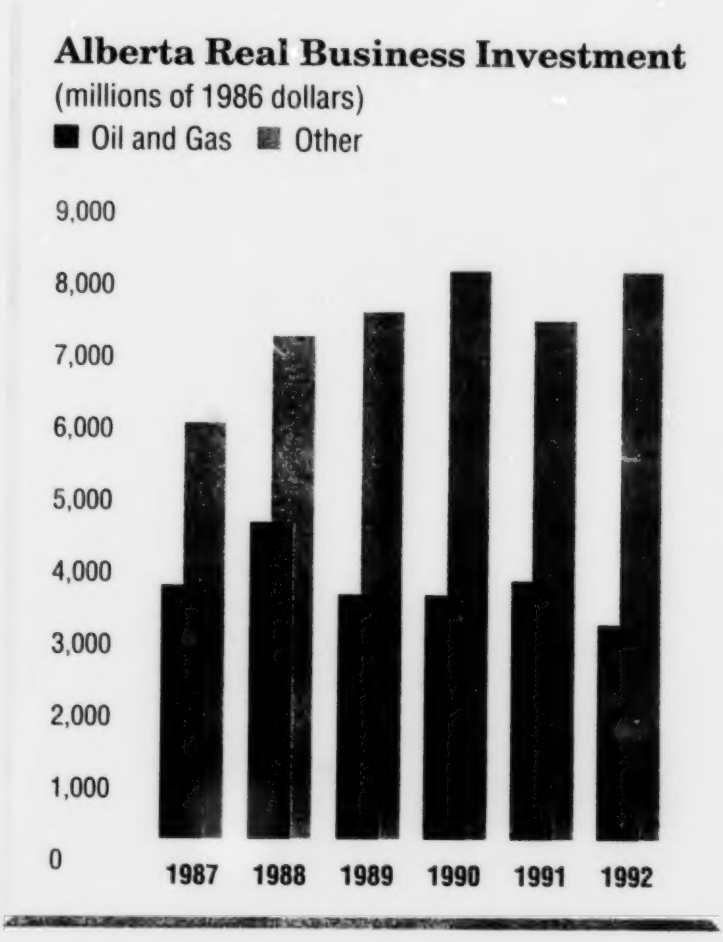
- Canada's inflation fell from nearly 7% in January 1991, following the introduction of the GST, to 1.7% in February of this year.
- This is the lowest inflation Canadians have experienced in more than twenty years.
- Most inflationary pressures have subsided and virtually all analysts expect that inflation will remain at low levels for several years.
- Wage settlements in Alberta must reflect the new low-inflation environment.

PRIME INTEREST RATE FALLS



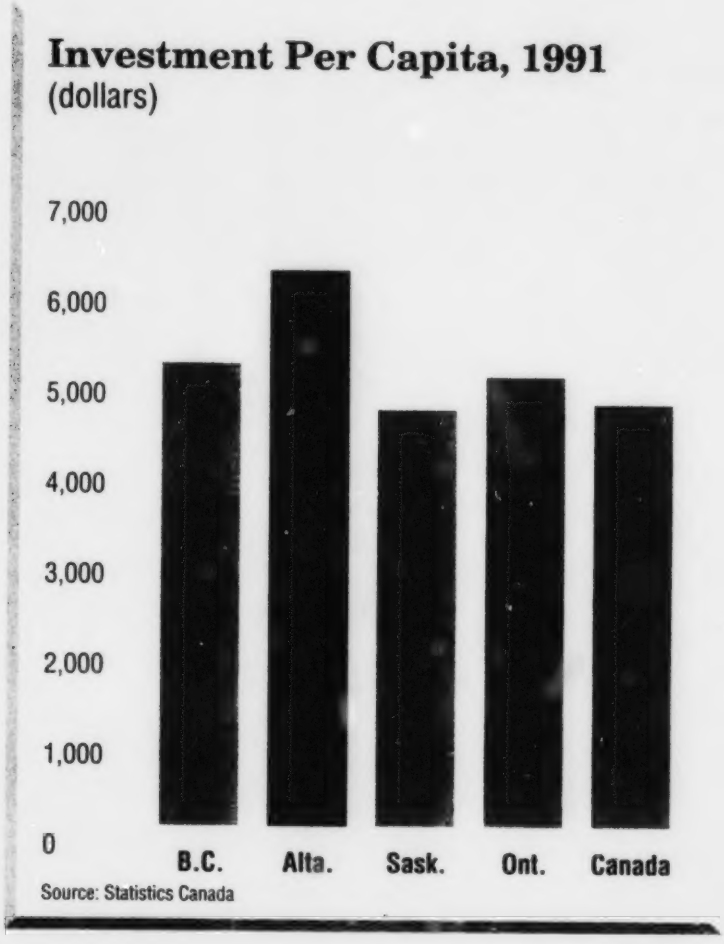
- Since the summer of 1990, the prime rate for business loans has fallen over 6 percentage points.
- Despite this sharp drop, the gap between Canadian and United States interest rates remains larger than the historical average.
- Canada's real interest rates have risen sharply in recent months and are among the highest in the major industrialized nations.
- The federal government should reduce interest rates even further and allow a lower exchange rate so Canada's economy can realize its full potential.

ALBERTA NON-ENERGY INVESTMENT TO INCREASE 10%



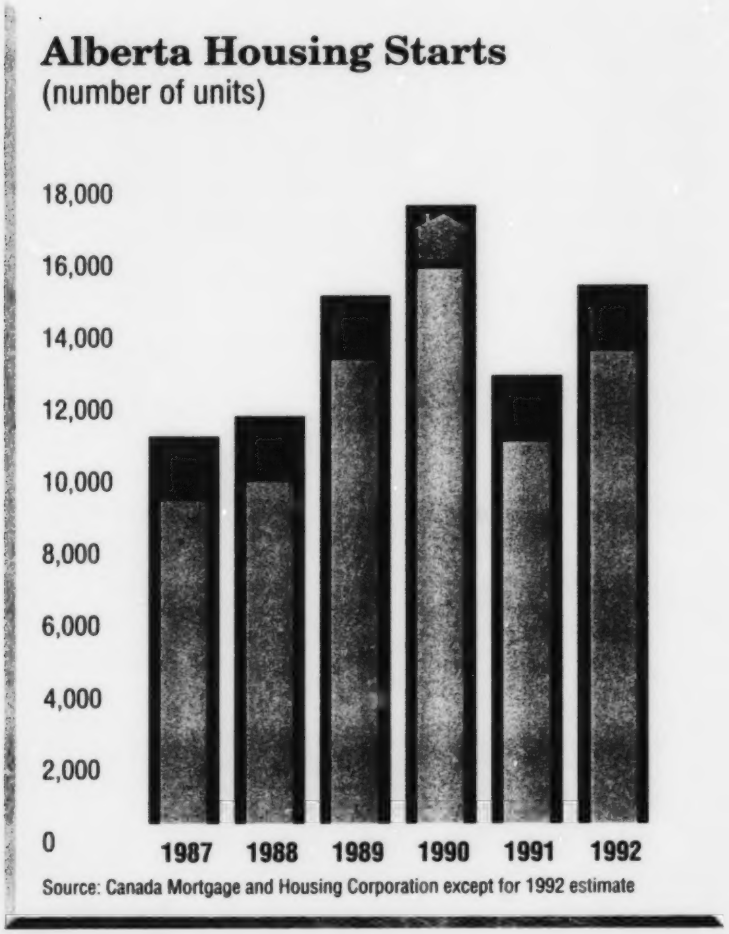
- Alberta's diversification will continue in 1992. Real business investment outside the energy sector is expected to increase by nearly 10%, led by forestry and utilities investment.
- Oil and gas investment is expected to decline by 15% as companies react to lower cash flows.
- Total real business investment is expected to increase by about 1%.

ALBERTA RECORDS HIGHEST INVESTMENT PER CAPITA



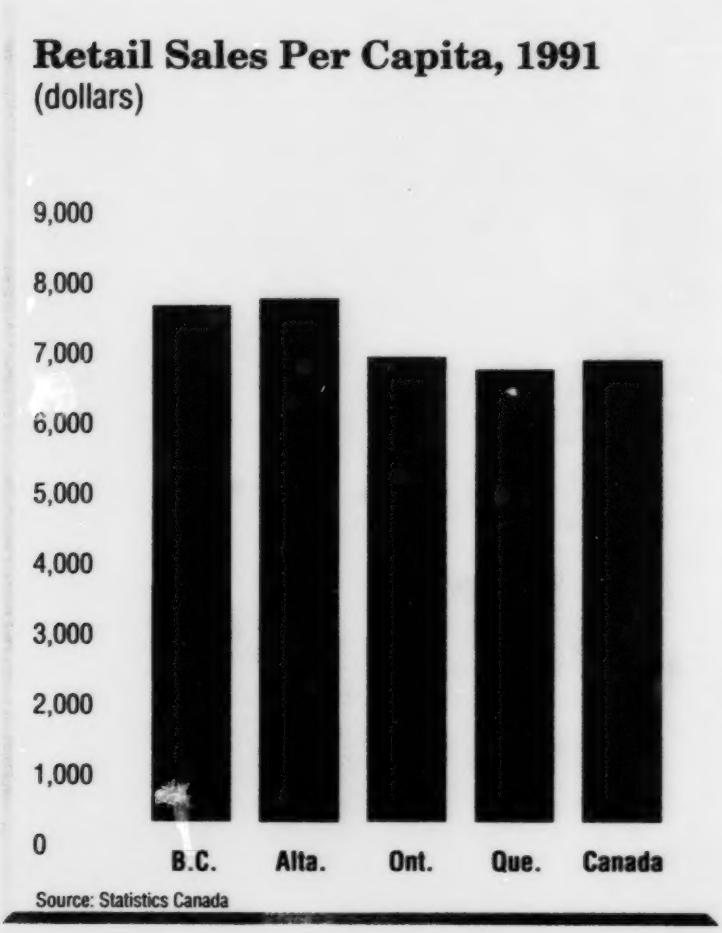
- Alberta again had the highest per capita investment of any province in 1991.
- Over $15.5 billion was invested in our province last year.
- Over 16,000 new businesses were incorporated in Alberta in 1991.

HOUSING STARTS EXPECTED TO INCREASE SHARPLY



- Lower interest rates have improved housing affordability for Albertans.
- This, together with the recently announced reductions in down payment requirements and changes to RRSPs, should substantially increase housing activity in Alberta this year.
- Alberta had 84% more housing starts in the first three months of 1992 than in the same period of 1991. The province should have about 15,000 starts this year, an increase of 20%.

HIGHEST RETAIL SALES PER CAPITA IN CANADA



- Albertans once again led the country in per capita retail sales last year.
- Per capita retail sales in Alberta are 13% above the national average.